

Charting the Export Seas In Sweden and Finland

By Bettina Dahlbacka

Nestled among their Nordic neighbors, Sweden and Finland form a fairly integrated market that gives suppliers access to an expanding and dynamic retail food sector.

Concentration + Consolidation = Integration

The Swedish and Finnish retail food industries were long characterized by stable structures, domestic firms and limited international influence. At the end of the last decade, however, this picture began to change markedly.

Concentration and integration have become dominant commercial forces in the Nordic market. A comprehensive process of consolidation and cross-border acquisitions is taking place among European re-



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tailers, and the Nordic countries are increasingly becoming part of the European retail market. Estimates are that five large chains will command 40 percent of the entire European market by 2005.

Consolidations and mergers among Nordic chains are being stimulated largely by their need to remain competitive vis-à-vis the large European retail chains now eyeing the region. For example, Lidl, a German hard discounter (a type of company that offers big discounts through large volumes and narrower selections), is beginning to establish operations in both Finland and Sweden. Swedish and Finnish retailers are responding by achieving economies of scale, engaging in centralized purchasing and emphasizing the high quality and variety of the products they offer. In-house labels are also being stressed as a means of obtaining a competitive edge.

The Swedish retail food market is dominated by three groups, ICA, Coop and Axfood, that account for nearly 90 percent of the everyday commodity retail market. The strong Nordic concentration started in 1999, when Sweden's leading retailer ICA merged with the Norwegian firm Hakongruppen. Later that year, Dutch retail giant Ahold acquired a 50-percent stake in ICA. Coop is the result of the recent merger of the three Scandinavian cooperatives in Norway, Sweden and Denmark. The third group, Axfood, was formed in 1999 and has 40 percent of the share capital in Spar Finland.

In Finland, a few central wholesale organizations (K-Group, S-Group, Tradeka/Elanto, Spar, Wihuri and Stockmann/Sesto) dominate the food industry with an aggregate market share of nearly 95 percent. These Nordic mergers offer interesting new



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opportunities, thanks to increased volumes and the diversity of products in demand.

The Market Landscape

As in many countries, supermarkets, hypermarkets and discount stores are gaining sales in Sweden and Finland, while traditional small- and medium-sized stores lag behind. Convenience stores and service stations or gas marts are also showing strong growth.

In 2000, supermarkets and hypermarkets accounted for 78 percent of Sweden's retail food sales. In Finland, supermarkets and hypermarkets garnered 16.5 percent of total sales.

The convenience sector offers more limited opportunities. Most convenience stores belong to retail chains and share the same large suppliers. Gas marts are affiliated either with gasoline companies or with large retail food distribution groups.

Market Drivers

Several factors will likely sustain growth in the retail food sector in Sweden and Finland. These countries have industrialized economies, well-developed infrastructures and high standards of living. Together they form a sophisticated market with a high acceptance of new products and concepts, where U.S. products are considered to combine high quality and trendiness.

Strong economic growth in both countries has strengthened consumers' purchasing power and consequent demand for high-value, consumer-ready products. And although world and national economic slowdowns could constrain consumer spending in the future, retail food sales remain high, and further growth is expected. Both countries have well-educated workforces with growing incomes. In 2000, Sweden's per capita gross domestic product was \$23,291; Finland's was \$22,608.

Best U.S. Product Prospects

Mergers and restructuring are creating interesting opportunities in both the volume and variety of products in demand. For U.S. producers, processors and exporters, products offering promising sales growth include:

- Dried fruits and nuts
- Fresh fruits and vegetables
- Frozen foods
- Fruit juices
- Pet food
- Processed fruits and vegetables
- Ready-made meals
- Rice and rice mixes
- Sauces and seasonings
- Seafood
- Snacks
- Specialty foods, such as organic, ethnic or vegetarian items
- Wines

Swedish and Finnish consumption patterns are moving away from their culinary traditions. Consumers are increasingly pressed for time, and this is having a big impact on food retailing by boosting demand for convenience and value-added foods. Sales for meals eaten away from home are growing fast, prompting retail stores to shift their products toward more ready-to-eat foods. In both Sweden and Finland, about 20 percent of meals are currently eaten out. The fast food sector is benefiting most from this trend, and undergoing rapid expansion.

Consumers are demanding more natural, organic, healthy and functional foods and beverages, and there is a rising trend in catering to the growing number of vegetarians. The selection of such products is currently more limited than in the United States—particularly in the processed foods category. Concerns for the environment



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(the green philosophy) can also exert considerable influence on consumers' choices, and many consumers will pay higher prices for products that they perceive as environmentally friendly.

The Swedish and Finnish markets are expanding for international and ethnic cuisines, including foods that are uniquely associated with various regions of America or are identified as American products. These countries have picked up on TexMex, Cajun and the American barbecue concept in a big way.

Not All Smooth Sailing

U.S. suppliers and exporters face several major challenges in this market. Price competition is more difficult for U.S. suppliers because the dollar continues to be strong and overseas shipping adds to costs. Also, the general market continues to show hesitation toward products derived from biotechnology and beef produced with growth stimulants.

Both Sweden and Finland are members of the European Union (EU), and therefore follow its trade policies, requirements and regulations. However, although Sweden has harmonized its economic policies with those of the EU, it has not yet joined the euro monetary system. Finland, on the other hand, has adopted the euro currency.

Launching a Successful Ship of Sales

To enter and remain afloat in the Sweden-Finland market, an exporter must begin with a long-term plan that encompasses learning the prevailing business cultures and commercial practices, and developing and carrying out promotion activities that fit the market.

An exporter typically contacts an importer, wholesaler or other trade agent di-



rectly. The U.S. exporter must work closely with the importer to ensure that products fully conform with food safety, quality and labeling rules and regulations.

Because the market is dominated by a few large import/wholesale/retail groups, U.S. exporters have a relatively easy job of locating potential buyers. Selling to a distributor that supplies the large retailers can be an effective approach, especially for small- or medium-sized exporters.

Swedish and Finnish firms do not change suppliers readily; many commercial relationships have been built up and maintained over decades. Newcomers must be willing to invest effort in developing an entry strategy and securing the confidence of buyers.

A Swedish or Finnish buyer will expect total commitment to prompt deliveries, precision in filling orders and high quality in all products. Being punctual is regarded not only as a sign of respect, but also efficiency. The Swedish and Finnish business ethic has little patience with cultural variation in punctuality.

Good information about market re-

quirements, standards and general potential can be obtained by paying a company visit in connection with a local trade fair or show. Participating in a trade show can be an efficient way to get to know the market. GastroNord in Sweden and Gastro in Finland, at which the Office of Agricultural Affairs in Stockholm typically arranges U.S. pavilions, are excellent opportunities for U.S. exporters to meet trade representatives from Finland, Sweden and other Northern European countries. ■

The author is the marketing specialist, the Office of Agricultural Affairs, U.S. Embassy, Stockholm, Sweden. Tel.: (011-46-8) 783-5390; Fax: (011-46-8) 662-8495; E-mail: agstockholm@fas.usda.gov

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